

No. 15922
IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

EVEREST & JENNINGS, INC., a corporation,
Appellant,
vs.

E & J MANUFACTURING COMPANY, a corporation,
Appellee.

E & J MANUFACTURING COMPANY, a corporation,
Appellant,
vs.

EVEREST & JENNINGS, a corporation,
Appellee.

OPENING BRIEF FOR APPELLEE CROSS-
APPELLANT, E & J MANUFACTURING
COMPANY.

LYON & LYON,
By FREDERICK W. LYON,
811 West Seventh Street,
Los Angeles 17, California,
Attorneys for Appellee.

FILED

AUG - 7 1958

PAUL P. O'BRIEN, CLERK

TOPICAL INDEX

	PAGE
Jurisdiction	2
State of the case.....	2
Questions involved on defendant's appeal.....	6
Argument.....	6
Defendant's admission of confusion.....	9
Oral testimony as to confusion in the hospital supply trade.....	11
Mistakes of publishers and convention managers.....	13
Misdirected mail	15
Plaintiff-appellee's trademark is entitled to protection.....	16
The trademark "E & J" has become distinctive in the hospital supply trade	18
Cross-appeal of plaintiff-appellant.....	20
Plaintiff-appellant's specification of errors.....	20
Summary of argument.....	21
The contract between plaintiff and defendant.....	21
Defendant's infringement was willful and intentional and plain- tiff is entitled to damages.....	25
Conclusion	26

TABLE OF AUTHORITIES CITED

CASES	PAGE
American Distilling Co. v. Bellows, 102 Cal. App. 2d 8.....	8
Armstrong Paint & Varnish Works v. NuEnamel Corp., 305 U. S. 315.....	16, 18
Dillon v. Lineker, 266 Fed. 688.....	24
First National Bank v. Cecil, 23 Ore. 58, 31 Pac. 61.....	24
Grace Bros. v. Commissioner of Internal Revenue, 173 F. 2d 170	4
Pointer v. Six Wheel Corporation, 177 F. 2d 153.....	4
Snyder v. Roberts, 45 Wash. 2d 865, 278 P. 2d 348.....	24
Sunbeam Furniture Corp. v. Sunbeam Corp., 191 F. 2d 141.....	16, 17, 19
.....	
Sunbeam Lighting Co. v. Sunbeam Corp., 183 F. 2d 969.....	16, 17

RULES

Federal Rules of Civil Procedure, Rule 52(b).....	4
---	---

STATUTES

Lanham Act (15 U. S. C. A., Chap. 22).....	8
United States Code, Title 15, Sec. 1114(1).....	8, 25, 26
United States Code, Title 15, Sec. 1117.....	8, 26, 27
United States Code, Title 15, Sec. 1121.....	2
United States Code, Title 28, Sec. 1291.....	2
United States Code, Title 28, Sec. 1338.....	2
United States Code, Title 28, Sec. 1338(b).....	2

No. 15922
IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

EVEREST & JENNINGS, INC., a corporation,
Appellant,
vs.

E & J MANUFACTURING COMPANY, a corporation,
Appellee.

E & J MANUFACTURING COMPANY, a corporation,
Appellant,
vs.

EVEREST & JENNINGS, a corporation,
Appellee.

**OPENING BRIEF FOR APPELLEE CROSS-
APPELLANT, E & J MANUFACTURING
COMPANY.**

This case comes before this Court upon the appeal of the defendant from the final judgment of the United States District Court for the Southern District of California which adjudged that plaintiff was the owner of the trademark "E & J", registered in the United States Patent Office, Serial No. 439,924, of July 27, 1948, and that the trademark was good and valid in law and was infringed by the use of the trademark "E-J" by the defendant, and enjoined the appellant from further infringement of said trademark.

The District Court further held that the infringement of said trademark was done without intent to infringe,

and that there was no contract between the parties and that no damages should be awarded to plaintiff. From these last three rulings of the District Court, the plaintiff cross-appealed.

Appellee-cross-appellant filed an action in the District Court alleging, ownership of the trademark "E & J", registration of said trademark in the United States Patent Office, that the defendant-appellant was infringing said trademark, that as a second cause of action for unfair competition, that the defendant had made a contract with the plaintiff to stop the use of the trademark "E-J", that the defendant complied with the contract for a period of two years and without the consent of the plaintiff, resumed the use of the trademark "E-J" in violation of said contract.

Jurisdiction.

Jurisdiction of the District Court and of this Court to hear this appeal is clear. The appeal of both defendant and plaintiff was timely. The final judgment was entered on January 10, 1958; the notice of appeal of the defendant was filed February 6, 1958; and the notice of appeal of the plaintiff was filed on February 7, 1958, both appeals being filed less than 30 days after the entry of the final judgment.

Jurisdiction of the Trial Court is conferred by 28 U. S. C. 1338, 15 U. S. C. 1121 and 28 U. S. C. 1338(b). The appellate jurisdiction of this Court is obtained by 28 U. S. C. 1291 and 15 U. S. C. 1121.

Statement of the Case.

Plaintiff-appellee, E & J Manufacturing Company is a California corporation which has manufactured and sold resuscitators and other gas administering devices under

the trademark "E & J" from its inception in 1945 and through its predecessors in interest since 1929 to the date of this action. [Find. of Fact, 4, R. 27.]

The trademark was registered in the United States Patent Office on July 27, 1948, Serial No. 439,924. [Ex. 1, R. 706; Find. of Fact 12, R. 29.]

Plaintiff has become widely known as a manufacturer of resuscitators and gas administration devices throughout the United States and especially widely known in the hospital supply field and the trademark "E & J" has become widely known and respected in the hospital supply field as designating the products of the plaintiff. [Find. of Fact 6 and 7, R. 28.]

The defendant, Everest & Jennings, Inc., is and was a manufacturer of wheel chairs. In 1946 the acts of the defendant brought on the present controversy in that the defendant began to market its wheel chairs with the trademark "E-J" applied thereto. They widely advertised under this trademark "E-J". The defendant sold its wheel chairs to the same trade (the hospital supply trade) as plaintiff sold its resuscitators. [Find. of Fact 15, R. 29.]

The District Court found that "E & J" and "E-J" were substantially identical to each other. [Find. of Fact, 14, R. 29.] In fact, the defendant has not raised in the lower court and does not in its opening brief suggest that there is any difference between these two marks. For this reason during the balance of this brief, the trademark in controversy will be stated as "E & J" in any reference and will be intended to mean either alternative.

At the trial, a great quantity of evidence was submitted to the District Court, including documents and oral testimony that the use of "E & J" by the defendant had resulted in *actual* confusion as to the source of origin

of the defendant's goods. After hearing this testimony, examining the witness, the District Court made a Finding of Fact:

"The use of the trade-mark 'E-J' by defendant on wheel chairs has resulted in actual confusion to customers as to the origin of the goods sold with the trade-mark 'E-J' applied thereon. The original mark 'Everest & Jennings' did not cause any confusion." [Find. of Fact 11, R. 29.]

The plaintiff in this case has never relied upon any *supposition* that there was only likelihood of confusion, but on the *proof of actual confusion*. This Court does not have to speculate as to whether the infringement in this case would be ". . . likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services." (15 U. S. C. 114(1).) Plaintiff herein has relied entirely on the proof that there was *actual* confusion as to the source of origin and not merely that it was likely to happen. This the District Court found as a fact. [R. 29.] This is a true finding of fact and not a conclusion of law, and should, therefore, not be disturbed on appeal.

See:

F. R. C. P., Sec. 52(b);

Grace Bros. v. Commissioner of Internal Revenue,
173 F. 2d 170;

Pointer v. Six Wheel Corporation, 177 F. 2d 153.

A further finding of fact of the District Court was that the area of sales of the products of both plaintiff and defendant were in a large part common to both parties, and for this reason there was confusion as to origin of the goods bearing the trademark "E & J". [Find. of Fact 15, R. 29.]

At the trial, defendant offered considerable evidence that others used the trademark "E & J" in the United States and that this showed that the mark had not acquired any secondary meaning. Defendant could not show the use of this mark by any other concern in the hospital supply business. Defendant was unable to show any confusion between the plaintiff's goods and those of any other manufacturer, and all witnesses questioned on this point denied that there had been any confusion with other user's of "E & J" either as a trademark or a business name.

The defendant, not the plaintiff, first recognized this confusion as to the source of origin of the goods of the two parties, and the defendant's president, Everest, called the plaintiff and arranged a conference [R. 91] with Stanton, the Vice-president and General Manager of plaintiff. [R. 38.] At this conference Everest, defendant's President, acknowledged that there was confusion [R. 364, 365, 91-94, 98-99] as to the origin of the goods of the two parties and agreed that something had to be done.

The defendant again acknowledged this confusion in writing [Ex. 40, R. 707] and assured the plaintiff that the defendant would "eliminate the letters 'E & J' from their advertising and correspondence". A meeting was held between the presidents of plaintiff and defendant, Beardsley and Everest, respectively, along with Stanton and Dunn, the latter being the General Manager of the defendant, at the office of the plaintiff where again it was asserted that the defendant would cease the use of the trademark "E & J" because of the confusion resulting in the defendant's use of the mark. [R. 102-103, 366-367, 455-456, 461-467, 382, 384.]

After this meeting with the plaintiff, the defendant ceased the use of the trademark "E & J" in all adver-

tising and promotional literature [R. 103, 384] until December 1952 [R. 386] a period slightly in excess of three years. During this period of time, there were no further incidents of confusion as to the origin of the two companies' goods, except for a minute number of orders which were sent to the wrong company. [R. 205, 206, 385.] In 1953, after the resumption of the use of the trademark "E & J" by the defendant, [R. 386] the confusion as to the origin of the goods again became great. [Ex. 61, R. 721-722; Ex. 64, R. 723; Ex. 66, R. 724-727; Ex. 68, R. 728-730.]

Questions Involved on Defendant's Appeal.

The questions raised and briefed by defendant- appellant on its appeal are:

1. That a defendant has the right to use his own surname on products that it manufactures and sells as long as it does so fairly and honestly. With this argument the plaintiff-appellee has no quarrel and agrees. (See Find. of Fact 11 [R. 29] where the District Court found that no confusion resulted from the use by defendant of its name "Everest & Jennings".)

2. That a party has the right to use an arbitrary trademark such as the trademark "E & J" if it happens to be the initials of the party or a nickname for the party, without regard to any injury that he may cause a prior user in the same field. With this contention plaintiff-appellee thoroughly disagrees.

3. That because the goods of the respective parties are dissimilar, regardless to whom those goods are sold, there cannot be confusion as to origin by use of the same trademark thereon. With this contention plaintiff-appellee thoroughly disagrees.

ARGUMENT.

The District Court found as a matter of fact, after listening to oral and documentary evidence, that plaintiff was a manufacturer of resuscitators and other gas anesthetic machines [Find. of Fact 4, R. 27] and used thereon the trademark "E & J", and that the plaintiff's products had become widely known and respected in the hospital supply field under the trademark "E & J". [Find. of Fact 6 and 7, R. 28.] The Court found that the plaintiff had been using this trademark for many years prior to any use of the trademark by the defendant. [Find. of Fact 4 and 8, R. 27, 28.] The Court found that after long use by the plaintiff, the trademark "E & J" had become widely respected and known in the hospital field. The Court found that defendant began to use the trademark "E & J" on wheel chairs which were sold to the customers of plaintiff. [Find. of Fact 15, R. 29-30.] The Court found that because of the widely known and respected use of the trademark "E & J" by the plaintiff, that the use by the defendant resulted in *actual* confusion amongst the customers of both plaintiff and defendant as to who manufactured which article. [Find. of Fact 11, 13, R. 29.] After making these findings, the District Court enjoined the further use of the trademark "E & J" in the sale of wheel chairs, as such use constituted infringement of the plaintiff's registered trademark. [Conclusions of Law 4 and 5, R. 30-31.] The only reason given by the defendant that this is error on the part of the District Court is that a party should be allowed to use the initials or nickname which apply to the name of his concern.

The laws protecting the use of trademarks should be strictly observed by the Courts as they were adopted

originally by the Courts by the equitable branch thereof to protect the public from being misled as to the source or origin of goods bearing trademarks thereon. This common law doctrine was not adopted to protect specifically the manufacturer who used a trademark or his right to the exclusive use of the trademark, but to protect the public from being misled. (*American Distilling Co. v. Bellows*, 102 Cal. App. 2d 8, 25.) This law has now been codified in the so-called Lanham Act 15 U. S. C. A. Chapter 22, and it provides stringent remedies both by injunctive actions and damages to prevent the misleading of the public as to the source of origin of the goods when a recognized trademark has been applied thereto. (15 U. S. C. 1114(1); 15 U. S. C. 1117.)

In the present case, the arbitrary designation or trademark "E & J" was first applied to resuscitators and anesthetic gas machines in the hospital field in 1929, and became widely known in this field. In fact, being the only user of the mark in this field, it became synonymous with the E & J Manufacturing Company, plaintiff. Seventeen years later, the defendant entered the hospital supply field and used and is using the mark "E & J" on his product. Immediately thereafter, actual confusion resulted in the minds of purchasers of both companies' products as to who manufactured which products.

All of these facts as set forth before have been found as Findings of Fact by the District Court. These findings are amply supported. This evidence which briefly summarized, comprises five different types of evidence.

1. The oral statements of the President of the defendant that such confusion as to the source of origin had resulting by the dual use of the trademark "E & J".

2. The written acknowledgement of the General Manager of the defendant as to the confusion which was given with the approval of defendant's President.

3. The oral testimony of the officers and employees of the plaintiff, as well as other independent witnesses.

4. Evidence such as mistakes by publishers, convention managers, etc., as to the source of manufacture; and

5. Last and not least a great quantity of misdirected mail (orders and inquiries for parts and machines and payment of bills). This misdirected mail resulted immediately upon and not prior to the use of the trademark "E & J" by the defendant. This misdirected mail substantially ceased during the three-year period in which the defendant ceased the use of the trademark "E & J" in its advertising and promotional endeavors. The volume of this mail immediately became large in volume after the defendant again began to use the trademark "E & J".

Defendant's Admission of Confusion.

In the opening brief of the defendant-appellant, the first two of these evidentiary items to sustain the District Court's Findings of Fact as to confusion of source of origin was conveniently overlooked. Defendant-appellant only argues the validity of the other types of evidence.

The testimony presented orally before the District Court with the exception of that of the deposition taken by the defendant of its former president, Everest, is as follows:

That an article was published in the "Hospital Progress" magazine, giving credit to the defendant for the invention and development of a resuscinette which was an infant combination resuscitator and incubator. That this article falsely attributed this development to the de-

fendant, when in fact it had been made by the plaintiff. Just above this article appeared the ad of the defendant for its wheel chairs and incorporated thereon the trademark "E & J". [Ex. 39, R. 90-93.]

At the same time, there had been growing confusion between customers of the companies because of the use of the trademark "E & J" by the defendant, and that therefore the president, Everest, of the defendant called the general manager of the plaintiff, Stanton, and acknowledged this confusion and invited the general manager of the plaintiff to a conference concerning the matter. [R. 91-94.] That a conference was held between the general manager of the plaintiff, the president of the defendant and its general manager, Dunn [R. 97-98, 364], at which time the president of the defendant admitted that considerable confusion had been created by the defendant's use of the trademark "E & J" [R. 363-367] and at the time of this conference Stanton stated that he would have to take legal action unless the situation was remedied [R. 98-380], and that if the defendant would stop the use of the trademark "E & J", he would not bring litigation. [R. 380.]

Both Everest, the president, and Dunn, the general manager of the defendant, admitted this [R. 380, 365], and admitted that they accepted the proposition of Stanton [R. 366-367, 381], and agreed to cease the use of the trademark "E & J" in advertising and correspondence [Ex. 40, R. 707, 381], and accepted an invitation to meet and further discuss the matter with Beardsley, the president of plaintiff. Dunn, at the orders and instructions of Everest, defendant's president, drew up and signed the letter, Exhibit 40 [R. 381], which acknowledges therein the confusion and accepted Stanton's agreement to cease

the use of the trademark in advertising and correspondence and to further cooperate in any way to clear up the confusion.

A second meeting [R. 102, 382] was held in which Beardsley and Stanton, for the plaintiff, and Everest and Dunn, for the defendant, were present, which opened on a friendly term. Beardsley thanked them for their agreement and offer to cooperate [R. 455], and this second meeting adjourned with the same understanding. [R. 102, 382, 455.]

There is no dispute anywhere in the record but that the defendant agreed at this time that there was confusion in the minds of the purchasing public as to who manufactured the articles being sold under the trademark "E & J", and this was deleterious to the best interests of the plaintiff and that it should cease.

These admissions against interest of the defendant and its action to rectify the damage to plaintiff are, alone, sufficient to support the District Court's findings as to confusion and infringement. These admissions are emphasized by the fact that defendant did cease in conformance with Exhibit 40, the use of the mark "E & J" from late in 1949 until the first of 1953. [R. 386.]

Oral Testimony as to Confusion in the Hospital Supply Trade.

The District Court's findings of fact as to confusion and infringement is further substantiated by the oral testimony of the following witnesses, Armstrong, Williams, Garrett, Healy, Acker, Vollaro, Dirmann, Hallamore, Miller and Pohlmann, as well as the previously referred to testimony of the defendant's president and general manager and the plaintiff's president and general

manager. This evidence shows without dispute that purchasers in the hospital supply trade, after the infringement by the defendant, were continuously mistaking the plaintiff and defendant corporations as to whom sold what product. Salesmen of the plaintiff corporation were turned away and refused interviews with prospective customers—the prospective company had already talked to the E & J salesman.

A specific incident out of many in the testimony is the incident covering the loss of any possible sales to the John B. Garrett Company of Troy, New York. A representative of the defendant had called upon this company and had taken up considerable of the Garrett Company's time. A representative of the plaintiff called to try and sell the plaintiff's products and was immediately informed that he had already seen the E & J representative and could spare him no further time and that he was not interested. As a result of this, the John B. Garrett Company purchased resuscitators from another company. [R. 554-558.]

Later at a convention of the hospital supply trade, and through no instigation of the plaintiff, Mr. Garrett, Jr., of the John B. Garrett Company approached the booth of the plaintiff and there confirmed the fact that he was confused and mistaken as to the companies that were selling wheel chairs and resuscitators. [R. 557-558.] This confusion in the mind of Mr. Garrett was confirmed by the testimony of plaintiff's representatives, John B. Williams, Jr., [R. 520-523] and Charles J. Vollaro. [R. 567-572.]

Another example out of many is the testimony of Dirmann and Miller. They made a trip selling hospital supplies to the Good Samaritan Hospital in Phoenix, Ari-

zona. Mr. Miller was a salesman for the Walters Modern Surgical Company, a dealer in hospital supplies. When admitted to the office of the purchasing agent for the hospital and introduced as the “E & J man” by Mr. Miller, the hospital purchaser was angry, and he said “Well, Jesus, Miller, we don’t want any wheel chairs. What did you bring the E & J man for”. [R. 312-313.] This testimony of Mr. Dirmann was supported by that of Mr. Miller. [R. 242-245.]

Similar incidents are recited by all of the aforesaid witnesses, including Pohlmann, Hallamore, Healy and Acker. It is impossible to set forth all of the incidents testified to by these various gentlemen. It is needless to say that there was no contrary evidence offered by the defendant. The Court heard many of these witnesses and saw them on the stand, and obviously believed their stories and their testimonies. With the admissions of the defendants, this testimony further supports the Findings of Fact of the District Court that there was confusion and infringement occasioned by the use of the trademark “E & J” by the defendant in the hospital supply field.

Mistakes of Publishers and Convention Managers.

To further illustrate the many forms of testimony in this case which led the Court to believe that there was actual confusion in the minds of the hospital supply trade as to whom manufactured what products, the evidence includes “Hospital Progress”, a magazine published by the Catholic Hospital Association of the United States [R. 86-90] which includes an article describing a new device called a resuscinettes which is a combined resuscitator and incubator for infants. The magazine credited this new device to the defendant, whereas it actually was a product

of plaintiff. The defendant tries to overcome this evidence by claiming there is no proof of who occasioned the publication of the article. Defendant does not claim that the plaintiff instigated the publication of the article. The fact is, and the only one pertinent to this case, that the article was published, adding to the confusion of the purchasing public and the hospital supply trade as to whom manufactured what products. Besides erroneously crediting the defendant with this new device, the magazine printed the advertisement of the defendant carrying the trademark "E & J" on the same page. [Ex. 39, a physical exhibit, R. 90.]

Convention operators in whose conventions the plaintiff and/or defendant exhibit, were under similar errors as to whom manufactured what and addressed their allocations of space to the wrong party. [R. 319-324.] Other parties were so confused as to the source of the goods that they were purchasing and receiving, that they paid the wrong party. [R. 290.] Other dealers even added to this confusion by incorporating a resuscitator and wheel chair in the same advertisement and labeling themselves as "E & J distributors". [Ex. 75, R. 417-418.] Other magazines published the ads of one of the companies using the trademark "E & J" and in the index of advertisers credited the advertisement to the wrong company. [Ex. 76, R. 419.] This is all cumulative proof as to the correctness of the District Court's findings that in the hospital field the acts of the defendant in using the term "E & J" had led to actual confusion as to the source of origin of the goods.

Misdirected Mail.

The last and least proof of the confusion as to the source of origin of the goods sold under the trademark "E & J" is the misdirected mail, a great quantity of which, though not all of this mail, was introduced in evidence. The Record shows that from 1946, when the defendant began using the trademark "E & J", until 1949, when he agreed to and did stop the advertising with the "E & J" trademark included, both companies secured a large quantity of orders of the other company. [R. 98, 105-106, 364-365.]

The plaintiff-appellee herein agrees and does not quarrel with the cases set forth by the defendant-appellant that misdirected mail is not proof of confusion. However, in this case we have an added factor, which along with the other proof already referred to, makes this evidence pertinent. The defendant ceased to advertise and promote the trademark "E & J" in 1949. [R. 103, 384.] At that time, the quantity of misdirected mail was large. Until 1953 no advertising was done with the trademark "E & J" by the defendant, and this misdirected mail substantially ceased. [R. 205-206, 388.] The defendant began again to use the trademark "E & J" in 1953 [R. 386], the result was an immediate increase to large proportions of this misdirected mail. These facts are undisputed in the Record. [Ex. 61, R. 721-722; Ex. 64, R. 723; Ex. 66, R. 724-727; Ex. 68, R. 728-730.]

There is only one possible presumption from these facts and that is that the use in the advertising and promotional literature by the defendant of the trademark "E & J" was leading the hospital supply trade into belief that wheel chairs and resuscitators were both manufactured by the same concern.

Taken altogether the evidence is not only sufficient to support the District Court's findings of confusion as to source of origin and infringement, but is overwhelming.

Plaintiff-Appellee's Trademark Is Entitled to Protection.

Defendant-appellant argues that irrespective of the confusion as to source of origin of the goods occasioned by the defendant's use of the trademark "E & J", nevertheless the Court should not grant an injunction against this use. This argument is based on the proposition that defendant is using nothing more nor less than the initials of its corporate existence. Defendant in making this argument ignores the fact found by the District Court that in the hospital supply field the trademark "E & J" had become a mark which distinguished the plaintiff's goods from those of others. [Find. of Fact 6 and 7, R. 28.]

This finding of the District Court is amply supported by the evidence which will be summarized hereinafter. This finding of fact removes the plaintiff's trademark from the classification of weak or strong marks as found by this Court in the *Sunbeam* cases (*Sunbeam Furniture Corp. v. Sunbeam Corp.*, 191 F. 2d 141; *Sunbeam Lighting Co. v. Sunbeam Corp.*, 183 F. 2d 969) and makes this mark a strong mark entitled to all the protection which a Court should grant to any completely fanciful mark. The Supreme Court has said that it will give all protection to a trademark even though that mark is completely descriptive if the mark "Has acquired the meaning of respondent and respondent's products only, and is a mark which distinguishes respondent's goods from others of the same class . . .". (*Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U. S. 315 at 322.)

In the present case, the Court found [Find. of Fact 6 and 7, R. 28] that the trademark "E & J" in the hospital supply trade had become widely known and respected as designating the products of the plaintiff. When the defendant invaded this field with the same trademark, immediate confusion as to the source of origin occurred. This Court has held in *Sunbeam Furniture Corporation v. Sunbeam Corporation*, 191 F. 2d 141, 144, that where the products were in the same field (portable fluorescent lights against electrical kitchen gadgets, both of which were sold to the same purchasers) that even a weak mark would be sustained against an infringer.

In the present case, both plaintiff's and defendant's goods are sold to the same purchasing agents (hospital supply companies and hospitals themselves). This case is governed by the *Sunbeam Furniture* case, *supra*, and distinguished completely from the case of *Sunbeam Lighting Corp. v. Sunbeam Corp.*, 183 F. 2d 969, wherein the Court held that fluorescent overhead lights could not be confused with kitchen gadgets because the kitchen gadgets were sold to the ordinary housewife, while the fluorescent lights were sold to contractors and builders. This Court made the same distinction in the two *Sunbeam* cases that the plaintiff-appellee makes herein. That is, in the case where the injunction was not granted, the goods were sold to different classes of purchasers. In the second *Sunbeam* case this Court held that an injunction was proper as the goods were sold to the same class of purchasers.

In the present litigation the facts are undisputable that the purchasers of both plaintiff's and defendant's goods, in a large part, are the same (hospital supply companies and hospitals) and the District Court so found. [Find. of Fact 14 and 15, R. 29.]

The Trademark “E & J” Has Become Distinctive in the Hospital Supply Trade.

The plaintiff-appellee's trademark “E & J” has become distinctive in the hospital supply trade as distinguishing the plaintiff's goods from those of others. [Find. of Fact 6 and 7, R. 28.] The plaintiff's resuscitator was the first successful machine for artificial resuscitation. [R. 69.] A resuscitator is a device used for reviving people who have become unable to breathe and would therefore die without some type of artificial respiration. [R. 39.] Plaintiff pioneered this field and has been eminently successful. [R. 69.] All of this evidence is undisputed.

Plaintiff's resuscitators have been given national recognition under their trademark “E & J”, even to the extent that they have been written about and described in magazine articles issued to the general public. [Exs. 25-26; R. 70, 73-74.] More important is the fact that many articles have been written by the medical profession about these devices in which credit was given to “E & J”. These comprise medical and hospital journals. These articles describe the advantages and operation of the “E & J” resuscitator to the practitioner in the medical field. [Exs. 27-30; R. 74-82.] In fact, it has made the name “E & J” the best known trademark in this field. [R. 69.] When a trademark has secured such recognition, it will be protected. As the Supreme Court has said,

“The right arises not from the trade-mark acts but from the fact that ‘Nu-Enamel’ has come to indicate that the goods in connection with which it is used are the goods manufactured by the respondent. When a name is endowed with this quality, it becomes a mark, entitled to protection.”

Armstrong Paint & V. Works v. Nu-Enamel Corp., 305 U. S. 315 at 336.

Though plaintiff and defendant are not directly competitive in that they sell different goods, the District Court found that these goods were sold to the same purchasers and that the use of the trademark had resulted in confusion as to the source of origin of the goods. It therefore properly made the conclusion of law that the use of the trademark "E & J" was an infringement of the plaintiff's registered trademark "E & J".

This Court in *Sunbeam Furniture Corp. v. Sunbeam Corp.*, 191 F. 2d 141 at 144, said

"Reliance is placed not upon competition with plaintiff's products but upon the likelihood of confusion of source. The Illinois corporation has a legitimate interest in seeking to protect its goodwill and the reputation of its mark. *Hanover Star Milling Co. v. Metcalf*, 1916, 240 U. S. 403, 36 S. Ct. 357, 60 L. Ed. 713, achieved only after considerable expenditure of effort in marketing a dependable product. The interests of shoppers in their reliance upon brand names or marks must also be taken into consideration. *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 1942, 316 U. S. 203, 62 S. Ct. 1022, 86 L. Ed. 1381, rehearing denied 316 U. S. 712, 62 S. Ct. 1287, 86 L. Ed. 1777."

Cross-Appeal of Plaintiff Appellant.

Plaintiff-Appellant's Specification of Errors.

The plaintiff has cross-appealed from the decision of the District Court in this case [R. 34] and has made the following specification of errors [R. 696-698]:

1.

The District Court erred in holding that there was no contract binding the defendant to cease and desist from the further use of the trademark "E & J". [Find. of Fact 16, R. 30.]

2.

The District Court erred in holding the defendant's use of the trademark "E & J" does not constitute deliberate palming off of their goods as those of plaintiff. [Find. of Fact 17, R. 30.]

3.

The District Court erred in holding that the appellant had not made out a case for damages. [Conclusions of Law 6, R. 31.]

4.

The District Court erred in holding that the plaintiff had failed to prove its second cause of action. [Conclusions of Law 7, R. 31.]

5.

The District Court erred in dismissing appellant's second cause of action. [R. 32.]

6.

The District Court erred in failing to hold that there was an agreement; that appellee, Everest & Jennings, Inc., had agreed in 1949 to cease and desist from further infringement of appellant's, E & J Manufacturing Company, trademark "E & J". [Find. of Fact 16, R. 30.]

7.

The District Court erred in failing to hold that when defendant, Everest & Jennings, Inc., resumed use of the trademark "E & J" in 1953, that this was done with the intent of trading upon the good will of plaintiff, E & J Manufacturing Company.

8.

The District Court erred in failing to hold that when the defendant, Everest & Jennings, Inc., resumed the use of the trademark "E & J" that it well knew that such use would lead to confusion as to origin of its goods with those of plaintiff, E & J Manufacturing Company and that such an act would cause damage to the E & J Manufacturing Company.

Summary of Argument.

1. The plaintiff and defendant entered into a contract in 1949 binding the defendant to cease and desist in the further use of the trademark "E & J".

2. That the infringement of the plaintiff's trademark "E & J" was willful and intentional and therefore plaintiff is entitled to damages.

The Contract Between Plaintiff and Defendant.

Though the District Court made a finding of fact that there was no enforceable contract or agreement between the parties hereto, this is not a proper finding of fact, but a conclusion of law, as the facts are not in dispute. The interpretation of these facts is a conclusion of law.

The plaintiff and defendant entered into an agreement which was fully defined and agreed to. In 1949, the defendant's use of the trademark "E & J" had caused confusion amongst purchasers of the products of the two

parties. This was admitted by the defendant as well as asserted by the plaintiff. [Ex. 40, R. 707.] The result of this confusion was that *defendant's* president contacted the plaintiff's general manager [R. 91-94] and a meeting was held between the two in which the plaintiff's general manager admittedly threatened to bring legal action unless the use of "E & J" ceased in defendant's advertising. [R. 365.] The defendant agreed to this. [R. 366-367, 381.] This was admitted by the former president of defendant. [R. 366-367.] This agreement is proved by the writing of Exhibit 40. [R. 707, 738.]

In this writing [Ex. 40], written by the general manager of the defendant and under the direction of the president of defendant [R. 381], defendant recognized the damage being inflicted upon the plaintiff by the use of "E & J" as a trademark by the defendant and agreed to stop using the trademark "E & J" in advertising and correspondence. A subsequent meeting after the issuance of this document and contemplated by it was held between the two general managers and the two presidents of the respective parties, at which the agreement [Ex. 40] was further acknowledged.

We have, therefore, an offer by the plaintiff that if the defendant stopped the use of the trademark "E & J" the plaintiff would not bring litigation. We have the acceptance of this offer by the president of the defendant, not only orally, but in writing. [Ex. 40.] To further confirm that a contract was made, if the Court cannot accept that procedure as constituting a valid contract, we have the action of the defendant in the face of the threat of litigation offering in writing to cease the use of the mark in advertising and correspondence, and the implica-

tion in that offer is, that if they do, the plaintiff will not bring suit.

After the issuance of this written offer, the meeting was held between the parties and the very first thing that happened at the meeting was the acceptance of the written offer by Beardsley, president of the plaintiff, when he thanked them for the offer and accepted the same.

“The letter which I had received, signed by Mr. Dunn, and I thanked Mr. Dunn for the letter and also for the co-operation which the letter said we would receive from Everest & Jennings.

“There was a discussion about the confusion that had been caused since Everest & Jennings began to use E & J.” [R. 455.]

We have in this case an offer and acceptance in either of two manners, either of which constitutes a binding contract. These facts are not in dispute and it is not possible to deny that the parties made the agreement that the defendant would cease the use of the trademark “E & J” Actually, both parties recognized the effectiveness of this contract. The defendant did cease the use of the trademark “E & J” from late Fall of 1949 to December, 1952 or January, 1953. Plaintiff did not bring action for infringement. This was an agreement made by businessmen in the ordinary conduct of their business without the presence of lawyers. Both parties believed that the agreement settled their dispute.

There was a complete meeting of the minds of both parties. Plaintiff would not sue. Defendant would cease the use of “E & J” in advertising and correspondence. The offer was made by defendant, and accepted by plaintiff. Plaintiff’s promise to forbear from suit is proven by

his actual forbearance. In *Dillon v. Lineker*, 266 Fed. 688, at 690, this Court said:

“It was not necessary that Norvena Lineker should have made a promise to forbear. Actual forbearance, without a promise to forbear, is sufficient, if such forbearance is at the request of the promisor and in reliance upon his promise.”

See also:

First National Bank v. Cecil, 23 Ore. 58, 31 Pac. 61; and

Snyder v. Roberts, 45 Wash. 2d 865, 278 P. 2d 348, at 352.

All of the conferences between the two parties constituted one transaction. The plaintiff made an offer to the defendant that unless defendant ceased the use of “E & J”, the plaintiff would bring litigation to enforce its demand. Defendant answered this offer with an acceptance—it would stop using “E & J” in its advertising and correspondence and cooperate to clear up further confusion. [Ex. 40.] This constitutes either an acceptance of plaintiff’s original offer, or a counter-offer, which counter-offer could only be that if you won’t sue, we will cease the use of “E & J” in advertising and correspondence. This counter-offer was definitely accepted by Beardsley. [R. 455.]

These facts are admitted by all parties. If the letter [Ex. 40] did not constitute an acceptance of the original offer of settlement by the plaintiff, then it must be construed to be a counter-offer and contain therein the implied agreement that the plaintiff would bring no action. This counter-offer and implied agreement was definitely accepted by the plaintiff. Under no theory of contract

law would there be any possible interpretation that both parties, at the end of the conference between the two presidents and two general managers, did not believe and consider themselves bound by the offers, counter-offers, acceptance and counter-acceptance of the two parties. A binding contract was made and is enforceable by this Court.

Defendant's Infringement Was Willful and Intentional and Plaintiff Is Entitled to Damages.

The defendant agreed that it would not use the trademark "E & J" in the face of threat of litigation by plaintiff. It acknowledged that its use had resulted in confusion as to the source of origin of the goods it sold. The defendant honored this agreement for three years. It did so until there was a change of management—Everest was no longer president of defendant. Defendant again resorted to infringement, which immediately resulted in large confusion as to the source of origin of the goods of the two companies. This was a violation of the agreement between the parties. It was also an infringement under 15 U. S. C. 1114(1). This section of the trademark act states that any infringer shall be liable to civil action with an exception ". . . registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers." Defendant had recognized and agreed that its use of the trademark "E & J" was causing confusion and mistake to purchasers.

Defendant added to the confusion by approving advertisements which credited its products to plaintiff. [Ex. 76, R. 419.] Defendant also sees no objection in the use

of its distributors in advertising wheel chairs and resuscitators in the same advertisement under the designation "E & J Distributor." [Ex. 75, R. 417-418.]

This was intentional infringement. No excuse can be offered by defendant for this infringement as it knew what the result would be. The District Court held that there was no intent by the defendant to cause confusion. [Find. of Fact 13, R. 29.] There is no evidence to sustain this finding. The only evidence is the admission by the defendant that its use caused confusion. The finding of fact of the District Court was in complete error and completely ignored the testimony.

Plaintiff, therefore, insists that it is entitled to an accounting for damages and profit for the intentional and willful acts of the plaintiff in using the trademark "E & J" to cause confusion or mistake to purchasers. (15 U. S. C. 1114(1), 1117.)

Conclusion.

The plaintiff's herein insist on their trademark rights for many reasons. Among others that have been set forth herein before is the fact that plaintiff's products are life saving machines. Like all machines, they are subject to wear and deterioration. Such a machine with defective or worn parts could be dangerous. If a resuscitator were needed and it were inoperable because of a worn or defective part, a patient in a hospital or elsewhere might die because of the failure of the resuscitator. [R. 232-234.]

Plaintiff's business is tied to these factors. It has competitors. If orders for replacement or repair parts are not promptly delivered to the plaintiff, it cannot fill these orders. During this time the machine is inoperative. If a user cannot get his life saving equipment

promptly restored to operating condition because his orders go astray or become confused with another company, he will soon cease to do business with the plaintiff and take on plaintiff's competitors as a replacement. In fact, if the condition continued for any length of time, new purchasers would learn of the difficulty of getting replacement parts and would prefer competitors.

This confusion caused by the use of "E & J" by the defendant is very serious. As said by the defendant's president, ". . . this is a terrible mistake." [R. 369.] The plaintiff-appellee herein believes that in the face of all the evidence submitted to sustain the District Court's findings of fact, that this Court should affirm the District Court's finding of confusion and infringement.

And furthermore, this Court should reverse the District Court in its finding that the infringement herein was accidental, as there is no proof of any kind but that this infringement was intentional and that the defendants had knowledge that the infringement would cause confusion and damage to plaintiff. This Court should reverse this finding and instruct the District Court to grant an accounting under 15 U. S. C. 1117 to determine the amount of plaintiff's damages caused by the intentional infringement of defendant.

Respectfully submitted,

LYON & LYON,

By FREDERICK W. LYON,

Attorneys for Appellee.

